

Message Text

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ACTION SS-30

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O 161510Z AUG 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 0159

C O N F I D E N T I A L GEORGETOWN 1445

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN, GY

SUBJECT: REYNOLDS NEGOTIATION

REF: (A) STATE 179015 (B) GEORGETOWN 1427

1. I SAW FONMIN RAMPHAL AT 2130 TO CONVEY RESPONSE REFTEL (A). TO MAKE APPOINTMENT I REACHED HIM BY PHONE AT PM'S BELFIELD RESIDENCE SO HE WAS ABLE TO INFORM BURNHAM THAT I HAD RECEIVED USG REPLY.

2. TO AVOID POSSIBLE MISUNDERSTANDING I READ VERBATIM TEXT OF RESPONSE TO RAMPHAL, OMITTING ONLY THE FYI PORTION OF PARA F. HE HEARD IT THROUGH WITH ONLY ONE OR TWO INTERRUPTIONS FOR BRIEF CLARIFYING REMARKS. AT END, HE SAID HE FOUND USG POSITION UNDERSTANDABLE AND FORTHCOMING. HE SAID HE THOUGHT GOG NOW HAD ADEQUATE BASIS FOR PROCEEDING TO DIRECT NEGOTIATIONS WITH REYNOLDS, AND IN THIS CONNECTION HE NOTED WITH APPROVAL THE OFFER OF USG "GOOD OFFICES" AND THE STATEMENT OF OPIC INTEREST.

3. I ASKED RAMPHAL WHERE WE GO FROM HERE. HE SAID HE WOULD REPORT SUBSTANCE OF USG RESPONSE TO PRIMIN BURNHAM EARLY AUG 16 AND WOULD SUGGEST THAT PM SEE ME TO HEAR MESSAGE FIRST-HAND. HE SAID HE HAD REPORTED TO PM AT LENGTH YESTERDAY AFTERNOON (AUG 15) HIS DISCUSSION WITH ME ON AUGUST 13 REGARDING AID LENDING PROGRAM (PARA 7, REFTEL B). RAMPHAL TOLD ME TO EXPECT PM TO QUIZ ME FURTHER IN DEPTH ON
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THIS MATTER, AND IN PARTICULAR ON CONCLUSIONS OF NATHAN

STUDY AS THEY RELATE TO FUTURE LOAN(S) TO AGRICULTURAL SECTOR.

4. OUR MEETING (AT HIS HOME) WENT ON FOR OVER TWO HOURS AS RAMPHAL WAS RELAXED AND WANTED TO COVER OTHER TOPICS, ON WHICH WE SHALL BE REPORTING SEPARATELY.

5. MEANTIME, I MET AT 1730 YESTERDAY WITH ROBERTS AND WAGNER TO GET A RUNDOWN ON THEIR TALKS WITH MINMINES JACK. THEY REPORTED JACK MUCH MORE RELAXED THAN LAST WEEK AND THAT TWO SESSIONS TOOK FORM OF GENUINE BACK AND FORTH EXPOSITION AND NEGOTIATION, CONSIDERABLY NARROWING GAP BETWEEN TWO SIDES ON TAXATION ISSUES.

6. JACK CONCEDED EXCLUSION OF CALCINED FROM PRODUCTION LEVY AT CALCULATED ANNUAL RATE OF PRODUCTION OF 70,000 TONS, WHICH AT 2 TO 1 RAW TO CALCINED REDUCTION FACTOR RESULTS IN LOWERING METAL GRADE TAXABLE BASE FROM 930,000 LT PER YEAR TO 790,000. HE ALSO SAID GOG AGREES REDUCE TAX RATE ON METAL GRADE FROM EIGHT AND HALF TO SEVEN AND HALF PERCENT. JACK FURTHER LISTENED ATTENTIVELY TO COMPANY CASE FOR EXCLUDING CHEMICAL GRADE PRODUCTION FROM PRODUCTION LEVY ON GROUNDS THESE SALES ARE MADE ON SAME ARMS-LENGTH BASIS AS CALCINED. HE AGREED TO STUDY THIS POINT FURTHER. HOWEVER, PREDICTABLY, WHEN REYNOLDS RAISED QUESTION OF "TENURE" AS NECESSARY CONDITION FOR SETTLEMENT JACK SIMPLY SAID HE WAS NOT EMPOWERED TO DISCUSS NATIONALIZATION.

7. FOR ITS PART, COMPANY SAID IT WAS PREPARED TO PAY TOTAL OF US\$4 MILLION (UP FROM US\$3 MILLION) IN 1974, USING ANY FORMULA GOG DESIRED AND TO WORK WITH GOG ON DEVELOPING BEST POSSIBLE "COSMETICS" FOR PUBLIC PRESENTATION. THEY FURTHER AGREED TO CALCULATE ON BASIS CURRENT US PRICE OF 36 CENTS/POUND FOR INGOTS AND TO ADJUST TAX UPWARD IN FUTURE TO REFLECT PRICE CHANGES.

8. ALTOGETHER, ACCORDING TO ROBERTS, YESTERDAY'S BARGAINING LEFT TWO SIDES WITH GAP BETWEEN COMPANY OFFER OF US\$4 MILLION AND GOG PROPOSED LEVY OF US\$8 MILLION ASSUMING CHEMICAL GRADE EXCLUDED AND "TENURE" ASSURED FURTHER TALKS
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WILL BE HELD TODAY.

9. PRESS THIS MORNING (AUG 16) REPORTS, PER RELEASE ISSUED BY JACK: "OFFICIALS OF REYNOLDS YESTERDAY CALLED ON MIN ENERGY AND NATURAL RESOURCES HUBERT JACK AT HIS OFFICE. THE MINISTER TOOK THE OPPORTUNITY TO CONVEY TO THE OFFICIALS THE DECISION OF CABINET ON THE RECENT TALKS BETWEEN GOVT AND THE COMPANY." CHRONICLE (GOG) BURIES ON BOX PAGE EIGHT,

WHILE

GRAPHIC HAS IT ON PAGE ONE WITH SIGNIFICANT EMBELLISHMENT.

10. RAMPHAL SAID REASON FOR POSTPONING IBA MEETING TO

NOVEMBER (SEE GEORGETOWN 1444) WAS REQUEST FROM MIN WHITLAM OF AUSTRALIA WHOSE MINORITY GOVT IS HAVING PROBLEMS WITH DECIDING HOW TO HANDLE BAUXITE QUESTION. RAMPHAL SAID IT WAS QUITE ACCEPTABLE TO GOG SINCE IT GAVE IT MORE TIME

TO DEAL WITH REYNOLDS CASE.

11. WILL REPORT FURTHER WHEN I HAVE SEEN BURNHAM. KREBS

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